

NSC BRIEFING

18 SEPTEMBER 1956

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BACKGROUND--SOUTH KOREA

I. The South Korean political scene is marked by unsolved dilemmas. President Rhee is still determined to rid himself of his unwelcome, opposition-party, vice-president, but apparently not quite sure how to do it.

A. Rhee reportedly feels that Vice-President Chang's election, last May, was the turning point in public sentiment against him.

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- IV. In actual fact, however, Rhee's opposition--while more vocal than ever, still remains disorganized.
- A. The opposition controls less than a third of the national assembly and is even weaker on local councils. B
- B. Rhee, in contrast, continues to control all the sources of power in South Korea, including the police, the army and the nation's various mass organizations.
- V. Meanwhile, the question of removing Vice-President Chang from the succession by means of a constitutional amendment has apparently been put aside for the time being.
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- A. [] the Liberal Party has decided it cannot at present muster the necessary two-thirds majority in the National Assembly, and has postponed action until next spring.
- B. This postponement eliminates, at least for the time being, the prospect for new outbreaks of violence.
- VI. Another dilemma is the present status of Yi Ki-pung, who--until his defeat for the vice-presidency--was Rhee's most likely successor.
- A. No action has been taken by Rhee to remove Yi from his post as chairman of Rhee's Liberal Party, but Yi is reportedly concerned over his vague position.
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- B. [] Paek Tu-chin, who made things difficult for US economic officials when he served as Economic Co-ordinator, may replace Yi.
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C. As a result, political maneuvering within the ruling Liberal Party is at a new high. Various party factions are even attempting to discredit each other by charging assassination plots against Rhee.

VI. Within the army, meanwhile, both former Chief of Staff Chong Il-kwon and Defense Minister Son Won-il--^{the} team which has restrained Rhee in the past--have been replaced with members of rival factions.

A. The new Army Chief of Staff, General Yi Hyong-Kun, is moving rapidly to consolidate his position.

B. He has "transferred" a total of 35 general officers, and now has his own supporters in many of the army's key positions.

C. General Yi in the past has supported President Rhee's calls for a "march north"--that is, unification of Korea by force of arms.

VIII. On the generally dismal economic front, there are some encouraging signs. As of September 14, the wholesale price level was only some 21% above September 1955. This compares with a 97% rise between September 1954 and September 1955.

A. It now seems likely that inflation this year will remain below the critical 25% increase which would require a review of the exchange rate (price levels normally drop during the last three months of the year).

B. Government officials are also showing more willingness to deal with Korea's economic problems.

1. The appointment of new Korean economic officials has led to better co-operation with US advisors and, for the moment at least, there has been less interference from the presidential office.

2. Most of the economic commitments which Korea made last January and June have been carried out.
 3. However, there is still resistance to raising government monopoly prices to put them on a paying basis.
- C. Another hopeful sign on the economic front is the recent request by Korea's reconstruction minister that the US mediate in expanding Korean trade with Japan, long anathema to Rhee.

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